

IN THE DISTRICT COURT OF THE UNITED STATES
DISTRICT OF SOUTH CAROLINA
CHARLESTON DIVISION

UNITED STATES OF AMERICA

vs.

CLINTON "BO" KNIGHT
CLAYTON "CM" WILLIAMS
KATHRYN "KATHY" KNIGHT

) CRIMINAL NO.: 2:19-cr-918
)
) 18 U.S.C. § 371
) 18 U.S.C. § 1343
) 18 U.S.C. § 1956(a)(1)(B)(i)
) 18 U.S.C. § 208
) 18 U.S.C. § 2
) 18 U.S.C. § 981(a)(1)(C)
) 18 U.S.C. § 982(a)(1)
) 28 U.S.C. § 2461(c)
)
)
)
) INDICTMENT
)

THE GRAND JURY CHARGES:

At all times relevant to this Indictment:

INTRODUCTION

A. Government Entities and Programs

1. The Small Business Administration ("SBA") was an independent agency of the United States. Its mission is to aid, counsel, and assist small businesses by providing access to capital, training and development programs for entrepreneurs, and opportunities to compete for government contracts.

2. The SBA administered a number of programs designed to support women-owned small businesses. One of these was the Women-Owned Small Businesses ("WOSBs") program. Under 15 U.S.C. § 637(m), federal contracting officers may restrict competition to eligible WOSBs for procurements in certain industries. To be eligible to compete for WOSB set-aside contracts, a

business had to be at least “51 percent owned by one or more women,” 15 U.S.C. § 637(m)(2)(A), and “the management and daily business operations of the business [must be] controlled by one or more women,” 15 U.S.C. §§ 637(m)(1)(B), 632(n)(2).

3. WOSBs were required to certify to the federal government that they are eligible to participate in the WOSB program. These certifications must include a representation that the firm is “at least 51 percent owned and controlled by one or more women.” 13 C.F.R. § 127.300(b)(2)(H). In this context, “[c]ontrol by one or more women ... means that both the long-term decision making and the day-to-day management and administration of the business operations must be conducted by one or more women.” 13 C.F.R. § 127.202(a).

4. The System for Award Management (formerly Online Representations and Certifications Application) is an official website of the United States Government in which a contractor doing business with the government must register. Under this system, a company must register their status as a WOSB for consideration in government contracts specifically set aside for certain groups or classes of citizens.

B. Parties and Persons

5. The Naval Health Clinic Charleston, formerly known as the Charleston Navy Hospital, was located on the Joint Base Charleston-Weapons Station in Charleston, South Carolina.

6. The Naval Health Clinic was a component of the United States Navy within the Department of Defense and provides a wide range of health services for service members, veterans, and their family members.

7. Beginning in or around 2004, the Defendant, **CLINTON “BO” KNIGHT**, was employed as the Information Management Department Head at the Naval Health Clinic, and thus an employee of the executive branch of the United States Government, until approximately 2018.

8. In or about 2004, the Defendants, **CLINTON “BO” KNIGHT, CLAYTON “CM” WILLIAMS, and KATHRYN “KATHY” KNIGHT**, and others, both known and unknown to the Grand Jury, decided to form a company, which they would name TCMC, LLC (“TCMC”), to obtain contracts and subcontracts to perform information technology (“IT”) services for the United States government.

9. The wife of the Defendant, **CLAYTON “CM” WILLIAMS**, was listed on filings with the South Carolina Secretary of State as the registered agent and owner of TCMC.

10. In or about 2004, TCMC registered as a WOSB with the System for Award Management.

11. The Defendants, **CLINTON “BO” KNIGHT and KATHRYN “KATHY” KNIGHT**, were married.

12. The Defendant, **CLAYTON “CM” WILLIAMS**, was employed by TCMC.

13. The Defendant, **CLAYTON “CM” WILLIAMS**, would not qualify for the WOSB program.

14. The Defendant, **CLINTON “BO” KNIGHT**, would not qualify for the WOSB program.

15. As a government employee, the Defendant, **CLINTON “BO” KNIGHT**, was required to submit forms disclosing potential conflicts of interest and any reportable assets or sources of income.

16. The above introductory allegations are realleged and incorporated in each count of this Indictment as if fully set forth in each count.

THE CONSPIRACY

17. Beginning in or around 2004 and continuing thereafter until in or around 2018, in the District of South Carolina and elsewhere, the Defendants, **CLINTON “BO” KNIGHT, CLAYTON “CM” WILLIAMS, and KATHRYN “KATHY” KNIGHT**, did combine, conspire, confederate, and agree together to (a) defraud the United States and the Department of Defense, an agency thereof, and (b) to commit certain offenses against the United States, namely:

a. Transmitting and causing to be transmitted by means of wire communications in interstate commerce, certain signs, signals, and sounds, in furtherance of a scheme and artifice to defraud the United States and Department of Defense and to obtain and attempt to obtain money and property by means of material false and fraudulent pretenses, representations, promises, and omissions (“the scheme to defraud”), in violation of 18 U.S.C. §§ 1343 and 2;

b. Being and aiding and abetting an officer and employee of the executive branch of the United States Government, to willfully participate personally and substantially as a government officer and employee, through decision, approval, recommendation, and otherwise, in a determination and contract, in which, to Defendants' knowledge, they had a financial interest, in violation of 18 U.S.C. §§ 208 and 2; and

c. To conduct and attempt to conduct financial transactions affecting interstate commerce, which transactions involved the proceeds of specified unlawful activity, that is, wire fraud, in violation of 18 U.S.C. § 1343, knowing that the transaction was designed in whole or in

part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity, in violation of 18 U.S.C. § 1956(a)(1)(B)(i) and 2.

MANNER AND MEANS OF THE CONSPIRACY AND ARTIFICE TO DEFRAUD

18. It was part of the conspiracy and scheme to defraud that the Defendants and others would do and cause to be done the following:

a. The Defendant, **KATHRYN “KATHY” KNIGHT**, was the only registered agent of TCMC in order to compete for contracts requiring a WOSB.

b. The Defendant, **CLINTON “BO” KNIGHT**, would help TCMC obtain contracts and subcontracts for IT services at the Naval Health Clinic.

c. The Defendant, **CLINTON “BO” KNIGHT**, took actions as an official at the Naval Health Clinic to cause contracts and subcontracts to be awarded to TCMC.

d. The Defendants, **CLINTON “BO” KNIGHT** and **CLAYTON “CM” WILLIAMS**, concealed their involvement in TCMC by making their wives the owners of the business despite the fact that they were not involved with the daily management or operations.

e. For the purpose of masking his financial interest in TCMC, the Defendant, **CLINTON “BO” KNIGHT**, was not listed with the South Carolina Secretary of State in connection with TCMC.

f. For the purpose of masking his financial interest in TCMC, the Defendant, **CLINTON “BO” KNIGHT**, was not listed with the South Carolina Secretary of State or the System for Award Management as having any involvement with TCMC. Instead, an unindicted co-conspirator was listed as the Registered Agent with the South Carolina Secretary of State and the Defendants, **CLAYTON “CM” WILLIAMS** and **KATHRYN “KATHY” KNIGHT**, were

listed as TCMC's points of contact despite the fact that, as they well knew, they were not responsible for, or involved in, TCMC's day-to-day management or operations.

g. The Defendants, **CLINTON "BO" KNIGHT, CLAYTON "CM" WILLIAMS, and KATHRYN "KATHY" KNIGHT**, and an unindicted co-conspirator agreed, before and after the award of the contracts to provide IT services at the Naval Health Clinic, that future profits of TCMC would be distributed equally.

h. The Defendants, **CLINTON "BO" KNIGHT, CLAYTON "CM" WILLIAMS, and KATHRYN "KATHY" KNIGHT**, and an unindicted co-conspirator further agreed that the Defendant, **CLAYTON "CM" WILLIAMS**, would receive a bi-weekly salary of approximately \$450 from TCMC despite the fact he was also employed by another government contractor with whom TCMC had entered into an IT services agreement.

i. The Defendants, **CLINTON "BO" KNIGHT, CLAYTON "CM" WILLIAMS, and KATHRYN "KATHY" KNIGHT**, and an unindicted co-conspirator further agreed that the Defendant, **KATHRYN "KATHY" KNIGHT** would receive a bi-weekly salary of approximately \$1,900 from TCMC despite the fact that she did not perform any services for the business.

j. The Defendant, **CLINTON "BO" KNIGHT**, failed to inform officials at the Naval Health Clinic or his supervisors at the Department of Defense that his wife, the Defendant, **KATHRYN "KATHY" KNIGHT**, had a financial interest in TCMC before or after its services were engaged.

k. The Defendant, **CLINTON "BO" KNIGHT**, solicited other business opportunities for TCMC as both a subcontractors or prime contractor hired, both directly and indirectly, by the Naval Health Clinic.

OVERT ACTS

- a. In or about 2004, the Defendants, **CLINTON “BO” KNIGHT, CLAYTON “CM” WILLIAMS, and KATHRYN “KATHY” KNIGHT**, and an unindicted coconspirator met to discuss forming TCMC.
- b. In or about 2004, the Defendant, **CLINTON “BO” KNIGHT**, orchestrated a meeting with at least one representative of a government contractor to promote TCMC for an IT services contract.
- c. From in or about 2004 up until 2018, TCMC was a subcontractor or a prime contractor every year for the Naval Health Clinic’s IT services.
- d. The Defendant, **CLINTON “BO” KNIGHT**, held himself out as the Vice President of TCMC and participated in the hiring of TCMC employees.
- e. On June 3, 2014, the Defendant, **CLINTON “BO” KNIGHT**, sent an email to an employee of a government contractor asking that they “retain the services of a local small business named TCMC, LLC.”
- f. Between in or around December 2011 up until at least in or around January 2018, approximately \$238,287.69 identified as TCMC payroll were deposited into an account maintained by the Defendant, **KATHRYN “KATHY” KNIGHT**.
- g. The Defendant, **KATHRYN “KATHY” KNIGHT** was identified in TCMC’s payroll account in the “500-owners” department.
- h. On or about November 15, 2013, a TCMC check in the amount of \$8,000 and bearing numbers 1405 was negotiated to the Defendant, **KATHRYN “KATHY” KNIGHT**, as her share in TCMC profits.

- i. Over the course of the conspiracy and artifice to defraud, checks drawn from TCMC's bank account totaling \$24,000 and identified as TCMC "profit sharing" were deposited into a bank account maintained by the Defendant, **KATHRYN "KATHY" KNIGHT**.

All in violation of Title 18, United States Code Section 371.

COUNT TWO
(Wire Fraud)

THE GRAND JURY FURTHER CHARGES:

19. Paragraphs 1 through 18 are incorporated herein and constitute a scheme and artifice to defraud as described in paragraph 17(a).

20. On or about June 5, 2015, the Defendants, **CLINTON "BO" KNIGHT, CLAYTON "CM" WILLIAMS, and KATHRYN "KATHY" KNIGHT**, as principals, aiders, and abettors, and for the purpose of executing and attempting to execute the scheme and artifice to defraud, did cause to be transmitted in interstate commerce, by means of wire communication, certain signs, signals, and sounds, by causing a deposit of \$427.02 from TCMC's payroll account into a bank account maintained by the Defendant, **CLAYTON "CM" WILLIAMS**.

All in violation of Title 18, United States Code, Section 1343 and 2.

COUNT THREE
(Money Laundering)

THE GRAND JURY FURTHER CHARGES:

21. Paragraphs 1 through 20 are realleged incorporated herein by reference.
22. On or about June 5, 2015, the Defendants, **CLINTON “BO” KNIGHT, CLAYTON “CM” WILLIAMS, and KATHRYN “KATHY” KNIGHT**, as principals, aiders, and abettors, and for the purpose of executing and attempting to execute the scheme and artifice to defraud, caused a TCMC check ending in numbers 1025 and in the amount of \$6,000 to be deposited into a bank account maintained by the Defendant, **CLINTON “BO” KNIGHT**, knowing that the funds represented the proceeds of wire fraud, thereby knowingly and willfully conducting and attempting to conduct the financial transaction described above which affected interstate commerce and which in fact involved the proceeds of wire fraud, with intent to conceal and disguise the nature, the source, the ownership, and the control of the proceeds from the wire fraud.

All in violation of Title 18, United States Code, Section 1956(a) (1) (B) (i) and 2.

FORFEITURE

CONSPIRACY /WIRE FRAUD:

Upon conviction for violation of Title 18, United States Code, Sections 371 (conspiracy to violate Title 18, United States Code, Sections 1343 and 1956) and 1343, as charged in this Indictment, the Defendants, **CLINTON "BO" KNIGHT, CLAYTON "CM" WILLIAMS, and KATHRYN "KATHY" KNIGHT**, shall forfeit to the United States any property, real or personal, which constitutes or is derived from any proceeds the Defendants obtained, directly or indirectly, as the result of such violation, and any property traceable to such property.

MONEY LAUNDERING:

Upon conviction for violation of Title 18, United States Code, Section 1956, as charged in this Indictment, the Defendants, **CLINTON "BO" KNIGHT, CLAYTON "CM" WILLIAMS, and KATHRYN "KATHY" KNIGHT**, shall forfeit to the United States any property, real or personal, involved in a transaction or attempted transaction in violation of 18 U.S.C. § 1956, as charged in the Indictment, or any property traceable to the offense.

PROPERTY:

Pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and 982(a)(1), and Title 28, United States Code, Section 2461(c), the property which is subject to forfeiture upon conviction of the Defendants for offenses charged in this Indictment includes, but is not limited to the following:

A. FORFEITURE JUDGMENT/ PROCEEDS:

A sum of money equal to all proceeds the Defendants obtained directly or indirectly as the result of the offenses charged in the Indictment, that is, a minimum of approximately \$317,081.74 in United States currency and all interest and proceeds traceable thereto, for which the Defendants are liable.

B. FORFEITURE JUDGMENT/MONEY LAUNDERING:

A sum of money equal to all property involved in the money laundering offenses charged in the Indictment, and all interest and proceeds traceable thereto, for which the Defendants are liable.

SUBSTITUTE ASSETS:


If any of the property described above, as a result of any act or omission of the Defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States of America, pursuant to Title 21, United States Code, Section 853(p) as incorporated by 18 U.S.C. § 982 (b)(1), to seek forfeiture of any other property of the said Defendants up to the value of the above forfeitable property.

Pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and 982(a)(1), and Title 28, United States Code, Section 2461(c).

A TRUE BILL


SHERRI A. LYDON (MTA)
UNITED STATES ATTORNEY

